



# Economic and International Affairs Scrutiny Panel

## Quarterly Hearing

### **Witness: Assistant Chief Minister with responsibility for Financial Services**

Wednesday, 21st June 2023

**Panel:**

Deputy M.R. Scott of St. Brelade (Chair)

Connétable M. O'D. Troy of St. Clement

**Witnesses:**

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Chief Minister

Mr. R. Corrigan, Chief Officer, Department for the Economy

Ms. H. de la Cour, Acting Director, Financial Services

[9:31]

**Deputy M.R. Scott of St. Brelade (Chair):**

Welcome to this quarterly hearing of the Economics and International Affairs Scrutiny Panel. This hearing is with the Assistant Chief Minister with responsibility for financial services. The aims of this hearing are to gather evidence specific to the legislative priorities and the ongoing work of the Minister for Financial Services, if I can call you that. Just a few things. This hearing is being filmed and streamed live. The recording and transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent. We do not have any members of the public attending today, so I have noted that. For the purpose of the recording and the transcript I would be grateful if everybody who speaks will state their name and role. We will begin with introductions. I suggest that the panel members introduce ourselves followed by the Ministerial team. I am Deputy Moz Scott, chair of the Economic and International Affairs Panel.

**Connétable M. O'D. Troy of St. Clement:**

I am Constable Marcus Troy, panel member.

**Assistant Chief Minister:**

I am Deputy Elaine Millar, and I am here as Assistant Chief Minister with responsibility for financial services.

**Acting Director, Financial Services:**

Helen de la Cour, acting director of Financial Services.

**Chief Officer, Department for the Economy:**

Richard Corrigan, chief officer, Department for the Economy.

**Deputy M.R. Scott:**

Welcome, and we also have apologies from Constable Honeycombe, who is also a member of the panel. I am going to be kicking off. The panel understands a new memorandum of understanding with Jersey Financial Services Commission was due this year. Can you confirm if this has been finalised?

**Assistant Chief Minister:**

We were just discussing it but Richard's probably best placed to answer that one, if you do not mind.

**Chief Officer, Department for the Economy:**

It is in train between ourselves and the J.F.S.C. (Jersey Financial Services Commission). Obviously we have a balance to strike between an independent regulator, ensuring they have absolute independence of decision-making around authorisation, supervision and enforcement. But equally there is information that Government wants to ensure that we have to provide assurance that the regulator is covering the ground that we wish it to and that it is performing suitably in its legal functions. We have had a number of exchanges back and forth between ourselves and the commission around a draft version of that document and we are taking stock, given that the political responsibility has now settled for Financial Services within the relatively new Government. We are taking that political steer as to any further changes we wish to make. But we hope that by the end of 2023 we will have a revised M.O.U. (memorandum of understanding) in place.

**Deputy M.R. Scott:**

Can you please outline what, if any, changes are being incorporated now and what changes you are seeking?

**Chief Officer, Department for the Economy:**

The existing M.O.U. is, first of all, not legally binding. So it does not change the powers available to the Minister under the Financial Services Commission (Jersey) Law. What we want to ensure is to protect both the J.F.S.C. and Government that there can be an appropriate exchange of information, an appropriate information gateway, so to speak. If there is information that is critical or potentially harmful to the jurisdiction's reputation to fiscal or other matters relating to Jersey's broader economic well-being and reputational well-being, that the J.F.S.C. can share an appropriate - and I emphasise "appropriate" - level of information with the Government and is safeguarded in their ability to do so. Because information they collect, for example, as a supervisor is collected under law for the purposes of supervision not necessarily for onward exchange to the Government. We want to make sure the commission can exchange appropriate information safely with the right legal safeguards and indeed that Government is only asking for information that is appropriate to the discharge of the political responsibilities that rest with the Minister.

**Deputy M.R. Scott:**

Am I to understand at the moment there are barriers to the commission doing this, whether it has been a form of, say, confidentiality, requirements, G.D.P.R. (General Data Protection Regulation), is that ...?

**Chief Officer, Department for the Economy:**

There can be because the commission has, as I say, legal responsibilities that it has to regulated entities for the information that it collects. I think we first surfaced this as we have gone through preparations for MONEYVAL and Government has sought a huge amount of statistical information. When you are at that high level statistical state the information is relatively anonymised in terms of you are not attributing it to any one firm or group of companies or to anyone necessarily, even to a particular regulated sector. We want to be able to collect better performance information, so flows of money through the jurisdiction. But we want to do that in a more routine way rather than in a set piece way, as we prepare for a MONEYVAL assessment either now or in the future. It is systemising some of this and to systemise it and have a more regular exchange of statistical information, and we want to make sure the commission has the right safeguards in place to do so.

**Deputy M.R. Scott:**

Could you just give us an example of the sort of performance information you might be ...?

**Chief Officer, Department for the Economy:**

From a public sector perspective, and to ensure from an A.M.L./C.F.T. (Anti-Money Laundering and Countering Financing of Terrorism) perspective that we are satisfied the commission is covering

enough ground. We would want to see information around the number of supervisory visits conducted, the types of firms that they are visiting, so by sector. Is it banks, is it trust companies, is it fund administrators and so on? The size of those firms in terms of their relative scale; small, medium, large. The proportion of findings, so not the findings specifically that company A had 1, 2 and 3 items found against it but statistically what are the categories that we are seeing those findings in. That gives us an indication of what we are finding through supervisory visits, how much of that is translating into remediation or enforcement action and prosecution under the powers available, to authorities in the Island. It gives us then a better understanding of where the jurisdictional risks are coming from and then Government, from a national policy perspective, can make a determination around resourcing, around whether we have the right legislative backdrop to be able to tackle those issues at source.

**Deputy M.R. Scott:**

Does the M.O.U. give you an ability to assess and to respond to the performance of the commission itself?

**Chief Officer, Department for the Economy:**

It does not. So the commission produce ... they are an independent body, board of commissioners, they publish an annual report and accounts, which has a mix of performance data. It covers the progress against strategy and also covers their financial performance as well in terms of accountability to regulated entities for the fees that they collect. That is provided on a basis that is consistent with C. and .A.G. (Comptroller and Auditor General) recommendations, by and large. This is work that the Jersey Audit Office has focused on over the last several years. So the quality of the report is good. We would like to see more data that is able to be shared with Government in terms of performance framework so that we are satisfied with the adequate ground that is being covered. If there are challenges in a particular sector or with a particular firm, that those are being driven through the process and remediated quickly or taken through into enforcement action at the earliest possible opportunity as well.

**Deputy M.R. Scott:**

The Ministerial delivery plan, that is page 23 of the updated Chief Minister plan, indicates that an annual letter of expectations for the commission will be formed. Can you explain the distinction and outline the progress on this?

**Chief Officer, Department for the Economy:**

The intention of the letter of expectations is if there are maybe some more tactical tilts that the Minister wishes to ask the J.F.S.C. to look at, so if there are heightened levels of risk. A good example would be the sanctions regime around the current conflict in Ukraine. So the Minister may

wish to give or set out some clear expectations to the J.F.S.C. around where they would wish to see perhaps some additional supervisory effort targeted, and the commission can then consider that in the broader scope of work that they are undertaking. Likewise, the commission would write to the Minister periodically on a perimeter basis saying that we believe there is activity that is maybe at the edges of their supervisory powers and would the Minister wish to consider legislative development to help to bring that more formally into the scope of the commission's work.

**Deputy M.R. Scott:**

Why is it not incorporated in the memorandum of understanding? Is it something that is just contemplated as a piece of machinery by the M.O.U. itself?

**Chief Officer, Department for the Economy:**

The rationale for the M.O.U. is more rules of engagement, I guess would be a good description. There are powers that the commission has ...

**Assistant Chief Minister:**

Overarching set out the relationship.

**Chief Officer, Department for the Economy:**

Yes, the powers the commission has independently, that is set out in law. There are powers that the Minister holds. If you say what you really need between that, some sort of rules of engagement, how this would work in practice, that is what the current M.O.U. and the proposed M.O.U. will dictate. That should be a document that is a longstanding document and, indeed, the M.O.U. has not reviewed for quite a long period of time. The letter of expectation is something that we would see on a more regular basis that would look at more contemporary issues and how we would wish the supervisor to tilt their activity.

**Deputy M.R. Scott:**

I think you have roughly touched on what it is going to include. I think you have done that. When are you expecting to ... what is the progress on when we might see something?

**Chief Officer, Department for the Economy:**

We had hoped to be a little bit further ahead by now, it is fair to say. We certainly want to make progress on this in the 2023 calendar year. So by year end we will have this progressed to a stage where there is an agreement in place between the Minister and the board of commissioners. I think we had an earlier point in the delivery plan. As you will appreciate, we have had some changes on the political side in terms of responsibility for financial services. Also there has been a huge burden

of work both on Government and the J.F.S.C. in the MONEYVAL preparations. This meant that this has not been the priority matter of the day but it is one that we want to get through this year.

**Deputy M.R. Scott:**

The letter of expectation by year end, the memorandum of understanding by ...?

**Chief Officer, Department for the Economy:**

The M.O.U. this year and letter of ...

**Deputy M.R. Scott:**

Year end, basically.

**Chief Officer, Department for the Economy:**

Yes, and the letter of expectation, we think that is probably a post-MONEYVAL action because again we will have a report from MONEYVAL that should give us a better indication of where the Minister would wish priorities to be.

**Deputy M.R. Scott:**

When roughly would that be then?

**Chief Officer, Department for the Economy:**

There may not be one this year or, to the extent that it is, it may be more limited in its scope. But I think it will be a much more meaningful one once we have the full MONEYVAL report in the public domain in 2024.

**Deputy M.R. Scott:**

So around when in 2024?

**Chief Officer, Department for the Economy:**

We will know formally and publicly the outcome of MONEYVAL in May, June 2024.

**Deputy M.R. Scott:**

Okay, so in response to that. Thank you. What interactions with the Jersey Financial Services Commission have you had in the capacity of Assistant Chief Minister?

**Assistant Chief Minister:**

I have met with them. The Ministerial group had a meeting with them last month or the month before, so we have met with them just to make sure everybody knows each other. I know some of them

already. I have met the director general and one of her senior team. I have had quite a number of regular meetings with just to talk about points of ... hot topics, shall we say. They also attend the Financial Crime and Political Steering Group, which I chair. So I see them quite regularly and I know them well, and we can chat quite easily if we needed to.

**Deputy M.R. Scott:**

Roughly how many times have you ... not you, you have not been in post a year, but say a month might you have a meeting with the commission?

**Assistant Chief Minister:**

I would certainly expect to see them at least once a month. I think the political steering group is once a month, is it not?

**Chief Officer, Department for the Economy:**

The political steering group, the Financial Services Advisory Board that you chair as well ...

**Assistant Chief Minister:**

The Financial Services Advisory Board as well, yes.

**Chief Officer, Department for the Economy:**

... the J.F.S.C. are members of. There is a bi-monthly meeting with the chair. There are a series of formal engagements and then there are a lot of informal engagements, as the Minister referenced, around individual matters.

**Deputy M.R. Scott:**

So you have got your political steering group which is monthly, your advisory board which is bi-monthly.

**Assistant Chief Minister:**

That is bi-monthly and I have met the chair twice ...

**Deputy M.R. Scott:**

You are probably talking about 3 times a month.

**Assistant Chief Minister:**

... now on a ... again there is a bi-monthly. I met the deputy chair quite recently as well. She came in and we had a chat with her about the new commissioners. Yes, I have met them frequently and there is plenty of interaction.

[9:45]

Then, in addition to that, we also meet Jersey Finance. I have had meetings with Jersey Finance as well.

**Deputy M.R. Scott:**

I am going to pass over to Constable Troy now.

**The Connétable of St. Clement:**

The panel understands that a number of actions of the national strategy for combatting money laundering, financial terrorism and the financing of proliferation of weapons of mass destruction action plan are due to be completed in 2023. How are these progressing?

**Chief Officer, Department for the Economy:**

Do you want me to pick that up?

**Assistant Chief Minister:**

Yes, please, again.

**Chief Officer, Department for the Economy:**

I would say very well. The overall strategy document is a longer ranging piece of work. It is looking at what we need to be doing consistently and really embedding within Government and the various insular authorities around A.M.L./C.F.T. efforts. Aside from that, there is a national financial crime work plan that is very focused around the timeline and the preparations for the MONEYVAL assessment this year. So we have already submitted a mutual effectiveness questionnaire and our technical compliance questionnaire. So those have gone into the MONEYVAL assessors. We will have some initial feedback during July. There is a busy programme of work with the insular authorities around their readiness for MONEYVAL interviews. Some of that work is taking place this week, which is why George Pearmain sends apologies for not being here in person. And also there will be some industry preparation sessions as well, ahead of MONEYVAL, arriving in late September. So, the national financial crime work plan was the priorities we needed ahead of the MONEYVAL assessment cycle. The strategy document is looking at beyond MONEYVAL and anticipating where we believe there are areas that we need to continue to work on, particularly as the methodology that is used by all of the F.A.T.F. (Financial Action Task Force) regional bodies will change as we move on to the sixth round of evaluations because Jersey's assessment is coming at the very end of the fifth round of evaluations.



**The Connétable of St. Clement:**

One of these action plans includes forming a national crimes statistics database by the end of June. Is this on track for completion? If it is completed how is the data being used?

**Chief Officer, Department for the Economy:**

That is on track to get some early information through for June. There will be a more detailed set of information that we then go through on a quarter-by-quarter basis. In part this is, to my point about the M.O.U. with the J.F.S.C., around collecting information in all aspects of our A.M.L./C.F.T. efforts, whether it is from supervision right the way through to prosecutions and exchanges of intelligence between the F.I.U. (Financial Intelligence Unit) and overseas authorities or indeed between law enforcement and prosecutors with overseas authorities as well in terms of overseas co-operation.

**The Connétable of St. Clement:**

How is the work to enhance domestic operational information sharing between key financial crime agencies progressing?

**Chief Officer, Department for the Economy:**

That is a productive one but one that we should never be complacent of and should always be looking to continue to evolve. There is a very good tripartite engagement between agencies: prosecutor, police, the Financial Intelligence Unit. There is also then the enforcement team at the J.F.S.C. I said "tripartite", and then went on to name 4. The reason for that is that the F.I.U. sits and is housed in States of Jersey Police for the time being. But we are considering the merits of moving that out into a separate statutory body. What that means is that they can look at intelligence that is being shared from industry and from other sources and prioritise where that intelligence is best further developed and taken into concrete actions to develop into a greater assessment of threat. Also the opportunity for individual prosecutions and confiscations where they might exist.

**The Connétable of St. Clement:**

Can you identify the progress of the work concerning access to beneficial ownership information?

**Chief Officer, Department for the Economy:**

I think we start from a very strong base point in that Jersey has, and has for many, many years, had a very strong position on beneficial ownership information. The only challenge I guess that we get to that from time to time is that some countries, some bodies, believe that should be information that is in the public domain fully rather than held privately and shared with competent authorities around the world under established protocols. The steps that we are taking at the moment are to open up that beneficial ownership registry information to obliged entities. That would be basically regulated firms, that they would be able to access and obtain that information. But we do not plan at this stage

of moving to a public register and in our discussions with the U.K. (United Kingdom) and further afield it is very much around the development of that as an international standard rather than as a political aspiration in some countries because we want to ensure a level playing field. If there is a level playing field as always Jersey will be a fast follower of that international standard.

**Deputy M.R. Scott:**

Excuse me, I have a follow-up question. Are you contemplating some sort of time when this work is in or is it something that ...?

**Chief Officer, Department for the Economy:**

The obliged entity part is actively being worked on, so that is looking at ... Helen may be able to give a bit more information.

**Acting Director, Financial Services:**

Yes, we do have some draft legislation on that at the moment. We have been working quite closely with industry as well to understand what their needs are for the purposes of C.D.D.s (customer due diligence) to be able to access that information.

**Deputy M.R. Scott:**

When might we see that?

**Acting Director, Financial Services:**

Probably towards the end of the year. There are a couple of routes that we can take on that legislation, whether it is by regulation or orders. We just need to work through the mechanics of what works and what is most appropriate given the nature of what we are enabling.

**Deputy M.R. Scott:**

Seems to be a bit happening around the time we are reviewing the Government Plan.

**Assistant Chief Minister:**

I think it is also important that we - as Richard and Helen are saying - where there is an international standard to be met and some of that work has been slightly ... it has been challenged. There was a Court of Justice ruling of a Luxembourg case which cast severe doubt on human rights aspects of public access to beneficial ownership registers so we are seeking legal advice on the implications of that. The U.K., for example, have decided that they do not think it is ... they are managing to distinguish what they are doing from what the Court of Justice said, so I think the U.K. are quite keen to proceed with open registers. Jersey and the other Crown Dependencies and Gibraltar are less certain on that perspective. There is a discussion going on at an international level as well to make

sure that we ... I think it is important that we have a common approach and one that meets the ... if there is a Court of Justice judgment saying it is contrary to human rights we think we should think about that very careful.

**Deputy M.R. Scott:**

Indeed, and the reasoning. It sounds like, from what you are saying, that there is an element of your role that is almost like an education role in terms of the use of information and the risks that go with publishing things that ...

**Assistant Chief Minister:**

As Richard said, we have had beneficial ownership ... we collect beneficial ownership and it is held by the F.S.C. (Financial Services Commission) and they have gateways to share it appropriately with other agencies, with other jurisdictions, through correct and lawful gateways. But we do not have a position where members of the public can just go in and see who the beneficial ownership of a company is. There are various levels of openness, some people are looking at ... Richard talks about obliged entities but there are other groups that say the media, journalists should be able to have access to it. I cannot remember what the third group ... there is another.

**Chief Officer, Department for the Economy:**

N.G.O.s (non-governmental organisation).

**Deputy M.R. Scott:**

Sorry, to interrupt, Minister, but am I understanding that the U.K. is looking into the potential disclosure of beneficial owners for a company so that that could mean disclosing trust beneficiaries of shares?

**Chief Officer, Department for the Economy:**

The U.K. already has a public register of beneficial ownership. The quality of the information is questionable, if I may say so, and again that has been tested by a whole variety of organisations over time at the ease with which you can set up a U.K. company with false information or fraudulent information, just deliberately error-strewn information to prove the point. The U.K. has that register in place.

**Assistant Chief Minister:**

That is for companies.

**Chief Officer, Department for the Economy:**

For companies, yes, not for trusts. There are 2 trains of thought here. One of them is that you have everything out in the public domain. It means that journalists, N.G.O.s, the public at large, can look at that and can form their own opinions. Or you say, as Jersey has done, we have a private register but it is enforced by supervision, the J.F.S.C. It is exchanged with competent authorities. If the U.K. approach is for beneficial ownership information in an emergency situation, we can provide that information within the hour. There are very few jurisdictions that can provide that quality of information and timeliness of information. The important thing, to close out on, is that the Financial Action Task Force set the international standards ultimately. Recommendation 24 from the Financial Action Task Force relates to beneficial ownership of the companies, and Jersey is fully compliant with that. Indeed, George Pearmain from our own team in Government was instrumental in the development of the latest version of recommendation 24.

**Deputy M.R. Scott:**

It does sound like that there is a bit of a discussion about a tick-box exercise when you actually look at the quality of the information and how that is enforced.

**Assistant Chief Minister:**

We are certainly not going to be rushing to put information into the public domain without very careful ...

**Deputy M.R. Scott:**

I understand.

**Assistant Chief Minister:**

People have good reason for entering structures. If you live in a jurisdiction where there is high risk of kidnapping and extortion and blackmail then clearly you need some degree of protection of your information. So we need to be cognisant of things like that. I think meeting international standards is important in a way that still protects the individual where they need protection.

**Chief Officer, Department for the Economy:**

There is no international standard for public registers beneficial ownership. The F.A.T.F. standard does not require public registers. You then get down to the individual countries or trading blocs, such as the European Union. The European Union has applied that through the fifth money laundering directive. So E.U. (European Union) member states should have public registers of beneficial ownership. But that, as the Minister referenced, was challenged in the European Court of Justice very recently and it has left the European legislators and also individual European countries taking stock of their position and determining how they find their human rights compliant manner of achieving that policy objective. Obviously, as a non-member state of the E.U., we are

not obliged to follow that standard. We did make a commitment to the European Commission when we did the economic substance legislation, that we would dock our register into that of European competent authorities but they did not have the technical bandwidth in Europe to be able to accommodate us. But that offer remains outstanding and on the table.

**The Connétable of St. Clement:**

Minister, can you outline your role within the Financial Crime Political Steering Group and the ongoing work of that group?

**Assistant Chief Minister:**

I chair the Financial Crime Political Steering Group. It meets regularly, it meets monthly. We have all relevant agencies, so we have the L.O.D. (Law Officers' Department), the commission, the police, the F.I.U.. We have a new F.I.U. unit. So everybody is there to discuss developments and monitor progress, particularly towards MONEYVAL evaluation at the moment. I meet that group regularly.

**Deputy M.R. Scott:**

We are back to the subject of the MONEYVAL visit. We understand that you attended a high-level meeting in Warsaw during April reaffirming the Island's commitment to combatting financial crime. Was the visit productive?

**Assistant Chief Minister:**

Yes, I think it was. It was very ...

**Deputy M.R. Scott:**

In what way?

**Assistant Chief Minister:**

I would like to say it was in Warsaw, it was in Warsaw Airport, so I did not see very much at all. But, yes, it was. It was attended by delegates, Ministers and very high-level delegates from 32 countries and international organisations. There was a plenary session where all countries effectively made their own commitments. There is an overall statement from MONEYVAL about our commitment both to the combatting of financial crime, money laundering, terrorist financing and appropriation financing. There is a written statement setting out the MONEYVAL strategy and general commitment to preventing ... everyone's effort to preventing those. Financial crime in its forms, and there was also ... we also joined with everybody in continued opposition to Russia's invasion of Ukraine. That is still a major topic in Europe. But it was very useful in that we were able to meet Ministers from the other Crown Dependencies; so Guernsey, Isle of Man, Gibraltar. Particularly it was interesting to hear from Gibraltar about their experiences with their MONEYVAL assessment.

We also met for the first time Baroness Penn, who is the House of Lords Minister at Treasury with responsibility for financial crime. We talked with her about beneficial ownerships - generally the Crown Dependencies and Gibraltar - the results of the Gibraltar assessment, how we are in preparation for our own.

[10:00]

Yes, it was useful in terms of meeting all of those people and just generally discussing how we collaborate and learn from each other.

**Deputy M.R. Scott:**

Who has been identified as the outliers, if you like, in terms of combatting financial crime? Who is notably absent from the table?

**Assistant Chief Minister:**

I do not think I would say who was absent. I cannot say I noticed somebody as not being there. I think everybody ... I think there is something like, is it 206 countries worldwide, have signed up to the F.A.T.F. ...

**Chief Officer, Department for the Economy:**

Yes.

**Deputy M.R. Scott:**

Was Russia there?

**Chief Officer, Department for the Economy:**

No, I do not think it would have been.

**Assistant Chief Minister:**

No, they were not. You made me think there.

**Chief Officer, Department for the Economy:**

The only countries that are ... I mean, first of all, MONEYVAL is a regional body that implements F.A.T.F. standards, in the scope of the Council of Europe's jurisdictions. You have other regional assessment bodies in the Caribbean and Africa and so on. Larger sovereign countries, like the U.K., are assessed by F.A.T.F. directly. There are only, I think, several countries that are outliers in the true sense of the word; North Korea and so on. Internationally-sanctioned countries that just are almost pariah states by a variety of international standards, they are black-listed from F.A.T.F. You

will have countries that are grey-listed, and that is because there are fundamental deficiencies in their regime and they have not been able to attend to those in the necessary cure period that is typically set by the regional assessment bodies. Then everyone else is at a varying stage of working to the standards and ensuring that they are passing these evaluations in the fourth round, fifth round, sixth round as they fall due.

**Assistant Chief Minister:**

Ukraine was represented. There were some people from Eastern Europe, but Ukraine was there and a wide representation of European jurisdictions.

**Deputy M.R. Scott:**

The panel notes that there were a number of jurisdictions that did not attend or sign the written declaration. Does this impact Jersey's position in any way?

**Assistant Chief Minister:**

I do not think so. I think if other jurisdictions decide not to attend and not to sign up to that statement that is a decision for them to take at their own governmental level. But I think Jersey has, for many years, had a commitment to the fight against financial crime and to participating. I think being at the table and Jersey has, through the efforts of someone like George Pearmain who has been very involved at MONEYVAL central level, it is better for us to be at the table and participating in helping draft standards than not. I think it is helpful for us to do that. If we were going to hold ourselves out and if we want to be, which we clearly do, a stable, well-regulated, successful financial services centre then we have to be able to show that we are participating in that work and making those same commitments.

**Chief Officer, Department for the Economy:**

Financial services is a disproportionately large part of our Island economic makeup, so I think we would be conspicuous in our absence if we were not there and were not showing that commitment to upholding the highest international standards.

**Deputy M.R. Scott:**

Indeed. Does the affirmation commitment create a level playing field with other Financial Action Task Force members, such as the United States or Switzerland?

**Chief Officer, Department for the Economy:**

It does because the standards are global standards. That is the expectation of the global community because of the significant proportion of countries that are members of F.A.T.F. or are assessed by regional bodies. Yes, countries that are working to those standards and are being assessed against

those standards have a shared sense of purpose and co-operation in squeezing dirty money out of the financial system. Whether that is significant national state, the U.S.. (United States) and U.K. and others, down to smaller island states, such as Jersey, there is a shared sense of purpose around driving the high standards of A.M.L./C.F.T. through the financial system.

**Deputy M.R. Scott:**

What about enthusiasm?

**Chief Officer, Department for the Economy:**

Some people will be more enthusiastic than others, I guess. Some people are very enthusiastic about tax, some about A.M.L./C.F.T. So, yes, I think there is an enthusiasm in the community. Certainly when I have attended the MONEYVAL plenary sessions I see very committed, dedicated, knowledgeable individuals with a real shared sense of purpose and values around the work that they do. There is an enthusiasm for that work.

**Deputy M.R. Scott:**

What further actions will be taking place with regard to creating the level playing field? What are you seeing is going to be happening next?

**Chief Officer, Department for the Economy:**

I do not think there is anything for Jersey, as such, in creating a level playing field. The F.A.T.F. standards evolve over time. As I said earlier, recommendation 24 was republished, was it last year? No, I think it was about 18 months ago recommendation 24 was republished. We had a role in that through the working group and through George's efforts. George has that enthusiasm for this field of work. That is constantly driving the evolution of standards. If you have that evolution of standards and you have an appropriate international commitment, country by country, to delivering on those, that should be the level playing field. If there are outliers and those that choose not to fully implement, that will be picked up as they go through the evaluation cycle. There will be findings against them and if there are significantly negative findings then they will find themselves ultimately heading towards grey lists and black lists accordingly.

**Deputy M.R. Scott:**

Are you due to carry out further visits in the coming year in connection with MONEYVAL?

**Assistant Chief Minister:**

Not specifically, no. Not particularly with MONEYVAL groupings like that. They will be coming here in the autumn to do the assessment. They are here at the end of September, early October to do the actual onsite evaluation of Jersey. I think when you talk about a level playing field, yes, as



Richard says, we should all be meeting the F.A.T.F. standards. They should represent a level playing field but I think, given the nature of Jersey, given the complexity of our financial services industry, given its global reach, I think we will always have a degree of scrutiny because of being an international finance centre that may be slightly higher than other jurisdictions where financial services do not make up such a big slice of their economic pie, if you like. But the MONEYVAL assessment will take up a lot of time between ... we are now preparing for that, we will have the onsite, there will be a draft in the autumn but then that is very confidential. It will be discussed before they then go to the plenary next year.

**Deputy M.R. Scott:**

I am going to pass it back to you, Constable Troy, on the Bank Depositors Compensation Scheme..

**The Connétable of St. Clement:**

Minister, the panel understands that the board of the Jersey Bank Depositors Compensation Scheme is accountable to the Chief Minister with you as delegate. Can you confirm that?

**Assistant Chief Minister:**

Yes, I believe that to be the case. I have met the chair ... remind me, the chair of the J.R.A. (Jersey Resolution Authority) has just become the chair of the Depositors Compensation Scheme, so Mike Mitchell. I met him at the time he was appointed. We have ongoing work to combine the boards of the Jersey Resolution Authority with the board of the Bank Depositor Compensation Scheme. So we will be ... work to the extent we have a role in that. We are working with them to combine those functions, which makes sense because then we have one body that is looking at all of the consequences of a bank failure, heaven forbid. It makes sense to bring those roles together.

**The Connétable of St. Clement:**

The Jersey Bank Depositors Compensation Scheme annual report 2022-23 identifies that there are plans to bring together that scheme and the Jersey Resolution Authority. Can you elaborate on that?

**Assistant Chief Minister:**

That is just what I was saying, we are going to merge them. It should create efficiencies. I do not see any reason why the banks themselves should not support that because it potentially takes a layer of bureaucracy out. They will have one body to deal with rather than the 2. So, yes, that work is underway.

**The Connétable of St. Clement:**

The Banking Business (Depositors Compensation) Regulations 2009 sets the limit of compensation to £50,000. Given that inflation has increased by nearly 60 per cent since its introduction, have you considered increasing the maximum compensation?

**Assistant Chief Minister:**

I believe that is something that the board wish to look at. They may wish to bring proposals forward. When the £50,000 was set, I am not sure if it is necessarily something that has to be inflation linked. But it was set at the time at a similar level, I believe, to Guernsey and the Isle of Man. It was set at a level which we thought was affordable and appropriate. "Affordable" is the wrong word. Appropriate for the jurisdiction because we have huge deposit books. Yes, it is lower than the amount that applies elsewhere so I think the new chair has thoughts about that. I suspect I will be hearing from him.

**The Connétable of St. Clement:**

So it will be the combined board that examines that?

**Assistant Chief Minister:**

Yes, or either the D.C.S. (Depositors Compensation Scheme) board or the ... because it is still their own board at the moment but they have a common chair. But I believe that is something that they wish to consider.

**Deputy M.R. Scott:**

Just a follow up here, please. You are just saying that the £50,000 was relatively high but that has remained a constant for a while. I think we were looking at if you did re-evaluate according to inflation, bearing in mind what is happening in terms of stresses on businesses and the public, we have calculated that the £50,000 limit would need to be £79,861 in real terms. You said this might be something that someone would be considering but is it something that you are considering exploring?

**Assistant Chief Minister:**

The place for that work to start is probably with the board of the Depositors Compensation Scheme because I suppose they sort of own ... it is not to say they own the policy, we own the policy, but we do have to be cognisant of as a jurisdiction to the extent that Government has to provide back-up as to how much realistically Government is able to provide.

**Deputy M.R. Scott:**

Are they tasked ... is that within their terms of reference to look at the limit and assess what ...?

**Assistant Chief Minister:**

I am sure they will. They are running it. I cannot remember the detail to be honest. I was involved in a review of the scheme.

**Deputy M.R. Scott:**

I think I might follow that up in writing just to ask that question because it is understanding quite where the impetus comes from.

**Chief Officer, Department for the Economy:**

It is part of the scope to make recommendations back to the Minister. Ultimately it is for the Minister to determine if she wishes to make a change in legislation and scheme coverage more broadly. I think probably one important point to make here is that the £50,000 is per banking group. If you have £100,000 and you split it across 2 banks you will get that £100,000 covered, £50,000 at each bank. So rather than it being an absolute figure for any one person, it is for the deposits you have with any one institution at the time. So you could trigger multiple amounts of £50,000 if you have your savings spread across multiple banks. It is a point that the existing board could recommend back to the Minister. But, as the Minister says, ultimately it is the States of Jersey that is underwriting the initial liquidity in this scheme of £100 million, should there be a major bank failure.

**Deputy M.R. Scott:**

It is within the board's terms of reference then in terms of considering ...?

**Chief Officer, Department for the Economy:**

To make a recommendation but then it would be for the Minister to determine.

**Assistant Chief Minister:**

I believe that is something they are giving thought to at the moment. The new chair has said to me that is something that he wants to consider.

**The Connétable of St. Clement:**

Can I ask a question to that? Are there some comparable figures to other Crown Dependency regulations?

**Assistant Chief Minister:**

I think it is the same. I believe Guernsey and the Isle of Man both have the £50,000 limit. I think the deposit compensation schemes all broadly came in around about the same time and largely mirror each other.

**Acting Director, Financial Services:**

Just to add, if you do not mind, I think as part of the work we are doing at looking at the merger, we can do a market exercise across other jurisdictions as well. There has been some movement on that limit recently, so we will be folding that into the work that we are doing around the D.C.S. and J.R.A.

**Assistant Chief Minister:**

It is lower. I do not have the U.K. figure. I have 85,000 euros in my head.

**Acting Director, Financial Services:**

I have got 85 as well.

**Assistant Chief Minister:**

I have 85,000 euros in my head as the European measure. I do not think that ... I think that has been 85,000 euros for some considerable time. I am not sure that schemes have necessarily index-linked the deposit protection or kind of upgraded it with inflation. But we have always been slightly lower than the E.U. standards.

**Deputy M.R. Scott:**

Particularly with the pound having devalued as much as it has.

**Assistant Chief Minister:**

We do have to bear in mind that ... our immediate concern, it would be for our local economy for local depositors but we have to remember we do have depositors across the world.

**Chief Officer, Department for the Economy:**

I think also the circumstances, the clients that might avail themselves of deposit compensation scheme protection has also evolved over time.

[10:15]

I was in the banking sector at the time that it was former Senator Alan Breckon, I think, that brought this forward. It is a Consumer Council issue. We put in place with Government and others that initial depositor compensation scheme that stands there today. The principle purpose was to protect Island residents and Island depositors, although the scheme does provide coverage to anyone with deposits. So you could be a very wealthy international family that has a deposit here of many millions of pounds, you are still going to have the first £50,000 of that protected. Those sorts of individuals are not choosing to place a deposit in Jersey because we have a depositor compensation

scheme. They are choosing it because they maybe have an international relationship with that particular bank, and that sophistication for international business is a choice for them for other reasons than depositor compensation. Again, it may be something that will put us in the realms of affordability around the actual scheme coverage itself. Not just in the monetary sense but also the types of depositors that it covers.

**Deputy M.R. Scott:**

Yes, I accept that. Also of course, many of the banks with which more wealthy people might put deposits require a minimum investment of probably £500,000 anyway.

**Assistant Chief Minister:**

It is fair to say, I think the commission do look closely at stress testing the banks and have we got any issues about their financial well-being. I do not think that is something we are concerned with.

**Deputy M.R. Scott:**

Do you mind if I just slipped a little question about the commission and its fees? They have been increased by about 13 per cent just recently, somebody suggested.

**Chief Officer, Department for the Economy:**

They set the fees by licence category. It depends which category has most recently been reviewed. If it is insurance or T.C.B.s (trust company businesses) or banks or whatever, they do consult on those fee increases but fundamentally they are looking at ... fees are compartmentalised by sector. So fees payable by the trust company sector do not cross-subsidise regulation of banks, for example. They are accountable for that through consultation and through representation that is made back to them. But it is a difficult balance that the commission has to strike in being adequately resourced to meet the demands of the modern world around regulation and supervision, and to keep Jersey at the forefront of being a well-regulated international co-operative financial centre versus the cost of doing business in the jurisdiction. Through the Financial Services Advisory Board that the Minister chairs, periodically a paper will come from Jersey Finance that does that jurisdictional comparison around how competitive Jersey is across a whole range of categories. That includes fees for regulation, but it also includes things like company incorporation fees, costs of staff, and so on and so forth. It is something that we remain mindful of around competitiveness. But equally there is getting the value for money in a broader sense rather than just price. Delivering the right regulated environment as well is important.

**The Connétable of St. Clement:**

The panel understands that updates to legislation regarding money service business rules is being undertaken. Can you outline how this is progressing and what amendments we can expect?

**Assistant Chief Minister:**

I think this has progressed very well. I think we have legislation coming on the 18th. I know I have looked at this and I think it is coming forward before the end of the summer. We have the virtual asset service providers, which covers things like bitcoin, exchange of bitcoin, and they are going to be brought into scope. Virtual asset service providers and money value transfer service providers, there has been a consultation with them. There are only about a half a dozen of them in the Island so we have been able to do a very targeted consultation with them. They are happy with what is being proposed. I think all the regulations are progressing very well. I think it will come forward to the States very soon.

**Deputy M.R. Scott:**

Any more specificity there?

**Assistant Chief Minister:**

I am sure I have signed something quite recently and I cannot remember whether this is already lodged or whether it is about to be lodged quite soon. There is something in my inbox with E.U. legislation on it and I have not had time to read it. It came in recently but there have been quite a few new pieces coming forward. I have to confess, I cannot quite remember the timing of this one. But work is done and it will be a thing coming into play before ...

**Chief Officer, Department for the Economy:**

Before the onsite certainly.

**Assistant Chief Minister:**

Before the onsite certainly.

**Chief Officer, Department for the Economy:**

There are 2 F.A.T.F. recommendations, recommendations 15 and 16, and the requirements are ... basically it is the same requirements for virtual assets as exists already for currencies in terms of the transfer, additional information is then provided and the payment from counterparty A to counterparty B, that then helps with that tracing of payment origination and so on for the purposes of detecting money laundering.

**The Connétable of St. Clement:**

We briefly discussed extending and enhancing the remit of the ombudsman in the last hearing. How is work progressing to extend and enhance their remit for pension-related complaints?

**Assistant Chief Minister:**

There is more work going on in that. I had a meeting about that last week. There have been issues ... it will bring the public sector schemes in, so a few concerns have been raised with the Council of Management of those schemes. Because the government schemes are set out in statute there will need to be some amendments to the statute. For example, the ombudsman, I think we would often find that if a complaint does go to the ombudsman that the parties may settle it before the ombudsman makes a decision or before it gets that far. But the Council of Management do not, I think, have the power to settle. That is not in their statutory powers so we would need to address that. We need to make sure that they can meet the expenses from assets. There are quite a number of points we have to do to make sure the Council of Management are happy. We need to do a little bit more consultation. We discussed that last week who else we needed to discuss with, so it is progressing. I think there is a Council of Management meeting this week. It is moving ahead. The ombudsman has met the Committee - sorry, I have been saying "Council" - of Management and it is moving ahead and we are hoping that the legislation will be launched before the end of the year.

**The Connétable of St. Clement:**

The panel understands that there has been a delay in drafting to account for points raised in consultation undertaken in February. What were the main areas that required alteration?

**Deputy M.R. Scott:**

Other than the bit about having the power to settle, which you have covered.

**Assistant Chief Minister:**

It is things like the power to settle. There is treatment of the Treasury as administrator, personal liability I think the Council of Management are concerned that they are not really trustees as such. So we do need to think about whether addressing their concerns about are we creating personal liability for them. There are those issues that will need to be addressed because of the statutory frameworks. I think we also had some issues around how far the ombudsman's powers of ... could the ombudsman's powers of determination override the statutory framework, although clearly it cannot. So there have been a number of issues. But I do not think any of them are insurmountable. There just needs to be some further discussions and work on those.

**The Connétable of St. Clement:**

When might you be ready to lodge the proposals?

**Assistant Chief Minister:**

We are looking to lodge before the end of the year.

**Deputy M.R. Scott:**

I just make a little squeak there because I am aware that we will be reviewing the Government Plan.

**Assistant Chief Minister:**

Well it is coming through at the end of the year, yes.

**Deputy M.R. Scott:**

There seems to be a bit of an avalanche coming our way. I was just going to ask you the last questions. The panel notes that financial service-related legislation has been lodged by the Chief Minister. Can you please confirm the process of approval for the legislation for it to get to that stage?

**Assistant Chief Minister:**

What has been happening with the ones that have come forward recently, I think I have seen them and approved them, and then they go to the Chief Minister. We did the limited partnership, the continuing ...

**Chief Officer, Department for the Economy:**

Triennials, yes.

**Assistant Chief Minister:**

Triennial regulations that we did last week. For example, I have seen all of the drafting, the paperwork on that, and had approved it before it went to the Chief Minister. I think some of the more minor pieces I have signed off directly. Although it comes forward in the name of the Chief Minister, I have approved it and it has gone forward on that basis.

**Deputy M.R. Scott:**

Will you be lodging any propositions, Assistant Chief Minister, in respect of financial services legislation going forward or will the Chief Minister continue to keep bringing them herself?

**Assistant Chief Minister:**

I imagine they will be ... I think they will be lodged in the name of the Chief Minister but I will be the rapporteur, if you like. So I will speak to them in the States. I have seen all the paperwork, the drafting and the law drafting instructions. I am sounding vague but I have seen quite a number of them recently so trying to remember whether I have signed drafting instructions for law drafting or lodging.

**Chief Officer, Department for the Economy:**



I think it is consistent with any Assistant Minister relationship. So the Assistant Minister for Treasury and Resources, for example, that is working on a proposition ultimately it comes forward in the name of the Minister for Treasury and Resources. The Assistant Minister might be the rapporteur for it coming through the Assembly but it will always be lodged in the Minister's name and any powers under that law are delegated as appropriate to Assistant Ministers.

**Assistant Chief Minister:**

Like the independent taxation legislation, I think that is lodged by the Minister but I will be the rapporteur for that with my Assistant Minister's hat.

**Deputy M.R. Scott:**

Is that not Treasury?

**Chief Officer, Department for the Economy:**

That is an example though.

**Assistant Chief Minister:**

That is an example, sorry. I just threw that in as an example.

**Deputy M.R. Scott:**

You just threw that in to confuse me.

**Assistant Chief Minister:**

Sorry, just trying to throw you off track.

**Deputy M.R. Scott:**

On that note, it probably is time for us to draw this to a close. Thank you very much, Assistant Minister, for attending our hearing today and for addressing the panel's questions. Thank you to Richard and Helen, the supporting government officers, who have contributed today. Thank you to our own panel and Greffe officers who have been attending to us, and also to the huge number of members of public who are probably watching this hearing right now. I am now going to declare it to a close.

[10:27]